

Citizens' Task Force On Chargers Issues

Evaluation of the Proposed Stadium

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Presentation Outline

- I. Engagement Summary**
- II. Scope of Services**
- III. Limited Market Analysis**
- IV. Limited Financial Analysis**
- V. Financial Alternatives Overview**
- VI. Economic Impact Study**

I. Engagement Summary

Barrett Sports Group, LLC (BSG) was retained by the City to assist the Citizens' Task Force on Chargers Issues (Task Force) in the analysis and evaluation of the feasibility and operations of a proposed new stadium. Specifically, the Task Force is interested in understanding the following:

- Potential Market Support for a New Stadium
- Anticipated Operating Performance of the Facility
- Potential Financing Alternatives Available
- Economic Impacts Generated by the San Diego Chargers

II. Scope of Services

- Limited Market Analysis
- Limited Financial Analysis
- Financing Alternatives Overview
- Economic Impact Study

III. Limited Market Analysis

In order to develop an understanding of the San Diego market environment and the potential operating characteristics of the proposed stadium, BSG analyzed the base economic and demographic characteristics of the San Diego area and economy. Specifically, BSG completed the following major tasks:

- General Market Overview
- Comparable Market Analysis
- Competitive Facilities
- Comparable Facility Overview
- Historical Facility Operations

- The market analysis has been limited in scope, as BSG has not conducted corporate surveys, focus groups, or promoter user interviews.

III. Limited Market Analysis

General Market Overview

- The feasibility of the proposed stadium depends on many factors, including an analysis of the market demand for the facility.

- Overall, major determinants of market feasibility include:
 - Local and Regional Economies
 - Market Demographic Characteristics
 - Existing and Planned Competing and/or Complementary Facilities
 - Type and Mix of Events
 - Potential Facility Users
 - Potential Premium Seat Purchases

III. Limited Market Analysis

Comparable Market Analysis

- Completed a comprehensive review of the demographic characteristics of comparable markets (based on CMSA designation), including:
 - NFL Market Area Comparison – CMSA Designation
 - 10 Larger/10 Smaller Comparison – CMSA Designation
 - NFL Market Area Comparison – Geographic Delineation (50, 75, and 100 Mile Rings)

- Consideration was given to the following major market characteristics:
 - Total Population
 - Number of Households
 - Effective Buying Income (EBI)
 - Number of Households with Median EBI Over \$50,000
 - Buying Power Index (BPI)
 - Corporate Base
 - Television Market
 - Radio Market
 - Number of Households with Income Over \$50,000
 - Median Household, Average Household, and Per Capita Income
 - Median and Average Age
 - Unemployment Rate

III. Limited Market Analysis

Demographic Tables

- Market demographics were typically summarized in this format:

Franchise	CMSA	Households (000s)	Rank 32
New York Giants	New York-Northern New Jersey-Long Island, NY	7,768.2	1
New York Jets	New York-Northern New Jersey-Long Island, NY	7,768.2	1
Chicago Bears	Chicago-Gary-Kenosha, IL	3,340.1	3
Baltimore Ravens	Washington-Baltimore, DC-MA	2,955.4	4
Washington Redskins	Washington-Baltimore, DC-MA	2,955.4	4
Oakland Raiders	San Francisco-Oakland-San Jose, CA	2,623.8	6
San Francisco 49ers	San Francisco-Oakland-San Jose, CA	2,623.8	6
New England Patriots	Boston-Worcester-Lawrence, MA	2,347.4	8
Philadelphia Eagles	Philadelphia-Wilmington-Atlantic City, PA-NJ	2,340.6	9
Detroit Lions	Detroit-Ann Arbor-Flint, MI	2,103.2	10
Dallas Cowboys	Dallas-Fort Worth, TX	1,989.7	11
Houston Texans	Houston-Galveston-Brazoria, TX	1,700.4	12
Atlanta Falcons	Atlanta, GA	1,581.3	13
Miami Dolphins	Miami-Fort Lauderdale, FL	1,461.1	14
Seattle Seahawks	Seattle-Tacoma-Bremerton, WA	1,428.2	15
Arizona Cardinals	Phoenix-Mesa, AZ	1,263.6	16
Cleveland Browns	Cleveland-Akron, OH	1,172.8	17
Minnesota Vikings	Minneapolis-St. Paul, MN	1,164.5	18
Tampa Bay Buccaneers	Tampa-St. Petersburg-Clearwater, FL	1,044.8	19
Denver Broncos	Denver-Boulder-Greeley, CO	1,044.7	20
San Diego Chargers	San Diego, CA	1,021.0	21
St. Louis Rams	St. Louis, MO	1,018.1	22
Pittsburgh Steelers	Pittsburgh, PA	964.6	23
Cincinnati Bengals	Cincinnati-Hamilton, OH	778.7	24
Kansas City Chiefs	Kansas City, MO	704.9	25
Indianapolis Colts	Indianapolis, IN	644.1	26
Carolina Panthers	Charlotte-Gastonia-Rock Hill, NC	599.7	27
New Orleans Saints	New Orleans, LA	506.3	28
Tennessee Titans	Nashville, TN	493.2	29
Buffalo Bills	Buffalo-Niagara Falls, NY	465.6	30
Jacksonville Jaguars	Jacksonville, FL	444.0	31
Green Bay Packers	Green Bay, WI	89.7	32
Average		1,825.2	

Source: Claritas - Sales & Marketing Management 2002 Survey of Buying Power and Media Markets.

III. Limited Market Analysis

Comparable Market Analysis

- NFL Market Area Comparison – CMSA Designation
 - The San Diego CMSA ranks below average in comparison to the other NFL markets, generally ranking in the third quartile in most categories.

- NFL Market Area Comparison – Adjusted CMSA Statistics
 - The adjusted San Diego CMSA ranks above average in comparison to the other NFL markets, generally in the second quartile in most categories.

- NFL Market Area Comparison – Stadium/Arena Seat and Premium Seating Inventory
 - The San Diego CMSA ranks below average in terms of available stadium/arena seat inventory and available and planned stadium/arena seat inventory. As a result, the San Diego CMSA has a high ratio of people per stadium/arena seat.

 - The San Diego CMSA ranks below average in terms of available luxury suites and available and planned luxury suites, suggesting a potential pent up demand. The ratio of corporations to available and planned luxury suites is above average.

 - The San Diego CMSA ranks below average in terms of available club seats. However, upon completion of the Padres ballpark the San Diego market will have a slightly higher than average inventory.

III. Limited Market Analysis

Comparable Market Analysis (Continued)

- 10 Larger/10 Smaller – CMSA Designation
 - In general, the San Diego CMSA ranks below average in comparison to the 10 Larger/10 Smaller markets, with the exception of median effective buying income, a measure of disposable income.

- 10 Larger/10 Smaller – Adjusted CMSA Statistics
 - In general, the San Diego CMSA ranks above average in comparison to the 10 Larger/10 Smaller markets, with the exception of television households.

- 10 Larger/10 Smaller – Stadium/Arena Seat Inventory
 - The San Diego CMSA ranks below average in terms of available stadium/arena seat inventory and available and planned stadium/arena seat inventory. Again, the market has a high ratio of people per stadium/arena seat.

 - The San Diego CMSA ranks below average in terms of available luxury suites and available and planned luxury suites. The ratio of corporations to available and planned luxury suites is above average.

 - The San Diego CMSA ranks below average in terms of club seat inventory and above average in terms of available and planned club seat inventory.

III. Limited Market Analysis

Comparable Market Analysis (Continued)

- NFL Market Area Comparison – Geographic Ring Designation
 - ✓ 50 Mile Ring Statistics
 - In general, the San Diego 50 mile ring ranks below average, except in terms of income and age measurements.
 - ✓ 50 Mile Ring – Adjusted
 - In general, the adjusted San Diego 50 mile ring ranks above average.
 - ✓ 75 Mile Ring Statistics
 - In general, the San Diego 75 mile ring ranks below average, except in terms of income measurements, age measurements, and unemployment.
 - ✓ 75 Mile Ring – Adjusted
 - In general, the adjusted San Diego 75 mile ring ranks above average.
 - ✓ 100 Mile Ring Statistics
 - In general, the San Diego 100 mile ring ranks above average.
 - ✓ 100 Mile Ring – Adjusted
 - In general, the adjusted San Diego 100 mile ring ranks above average.

III. Limited Market Analysis

Competitive Facilities

- Direct competition from comparable stadiums, as well as indirect competition from arenas, amphitheatres, performing arts centers (to a lesser degree), and other entertainment alternatives must be considered, particularly in connection with competition for patrons, advertising/sponsorships, premium seating leasing, etc.
 - Primary Facilities
 - ✓ Qualcomm Stadium
 - ✓ PETCO Ballpark
 - ✓ San Diego Sports Arena
 - ✓ Cox Arena – San Diego State University (SDSU)
 - Other Facilities
 - ✓ Tony Gwynn Stadium – (SDSU)
 - ✓ Jenny Craig Pavilion – University of San Diego (USD)

III. Limited Market Analysis

Competitive Facilities (Continued)

- Direct competition from comparable stadiums, as well as indirect competition from stadiums, arenas, amphitheaters, performing arts centers (to a lesser degree) and other entertainment alternatives may impact the operations of the proposed facility.
- The San Diego market has a limited inventory of comparable facilities that would provide direct competition to the proposed stadium.
- Other facilities located outside the San Diego market area, such as facilities in the extended Los Angeles market area, may offer limited competition.
- Given the limited inventory of stadium/arena seats in San Diego, there would appear to be an opportunity to develop a new stadium.

III. Limited Market Analysis

Stadium Characteristics

<u>Team</u>	<u>City</u>	<u>Stadium</u>	<u>Year - (1)</u>	<u>Capacity</u>	<u>Luxury Suites</u>	<u>Club Seats</u>	<u>Controlled Parking</u>
Arizona Cardinals – (2)	Tempe, AZ	Sun Devil Stadium	1958/90	73,379	62	4,900	19,784
Atlanta Falcons	Atlanta, GA	Georgia Dome	1992	71,500	203	4,600	4,000
Baltimore Ravens	Baltimore, MD	Ravens Stadium	1998	69,354	108	7,900	4,200
Buffalo Bills	Orchard Park, NY	Ralph Wilson Stadium	1973/99	73,967	164	6,878	14,000
Carolina Panthers	Charlotte, NC	Ericsson Stadium	1996	73,367	159	11,356	Minimal
Chicago Bears – (3)	Chicago, IL	Soldier Field	1924/2003	63,000	133	8,600	8,000
Cincinnati Bengals	Cincinnati, OH	Paul Brown Stadium	2000	65,535	114	7,600	5,000
Cleveland Browns	Cleveland, OH	Cleveland Browns Stadium	1999	73,200	147	8,754	Minimal
Dallas Cowboys	Irving, TX	Texas Stadium	1971	65,846	379	None	16,800
Denver Broncos	Denver, CO	Invesco Field at Mile High	2001	76,125	132	8,800	7,100
Detroit Lions	Detroit, MI	Ford Field	2002	64,355	132	8,641	5,500
Green Bay Packers – (3)	Green Bay, WI	Lambeau Field	1967/2003	71,500	166	6,250	4,900
Houston Texans	Houston, TX	Reliant Stadium	2002	69,500	168	8,200	26,000
Indianapolis Colts	Indianapolis, IN	RCA Dome	1984/99	56,127	104	4,000	2,396
Jacksonville Jaguars	Jacksonville, FL	Alltel Stadium	1955/95	73,000	90	10,000	6,000
Kansas City Chiefs	Kansas City, MO	Arrowhead Stadium	1972	79,451	80	NA	19,200

(1) First year reflects original construction. Second year, if applicable, reflects most recent major renovation.

(2) New facility approved or under construction.

(3) Data represents stadium characteristics upon completion of renovation.

III. Limited Market Analysis

Stadium Characteristics (Continued)

<u>Team</u>	<u>City</u>	<u>Stadium</u>	<u>Year - (1)</u>	<u>Capacity</u>	<u>Luxury Suites</u>	<u>Club Seats</u>	<u>Controlled Parking</u>
Miami Dolphins	Miami, FL	Pro Player Stadium	1987	75,540	183	10,193	25,000
Minnesota Vikings	Minneapolis, MN	The Metrodome	1982	64,000	115	None	534
New England Patriots	Foxboro, MA	Gillette Stadium	2002	68,000	80	6,000	14,000
New Orleans Saints	New Orleans, LA	Louisiana Superdome	1975/94	72,675	137	6,289	5,000
New York Giants	East Rutherford, NJ	Giants Stadium	1976/98	80,242	119	124	25,000
New York Jets	East Rutherford, NJ	Giants Stadium	1976/98	80,242	119	124	25,000
Oakland Raiders	Oakland, CA	Network Associates Coliseum	1968/96	63,142	143	6,000	11,000
Philadelphia Eagles – (2)	Philadelphia, PA	Veterans Stadium	1971	65,352	89	None	10,000
Pittsburgh Steelers	Pittsburgh, PA	Heinz Field	2001	64,450	127	6,600	Minimal
San Diego Chargers	San Diego, CA	Qualcomm Stadium	1967/97	70,561	113	7,615	18,500
San Francisco 49ers	San Francisco, CA	SF Stadium @ Candlestick Point	1958	69,865	94	None	7,000
Seattle Seahawks	Seattle, WA	Seahawks Stadium	2002	67,000	82	7,000	3,100
St. Louis Rams	St. Louis, MO	Edward Jones Dome	1995	66,000	124	6,500	Minimal
Tampa Bay Buccaneers	Tampa, FL	Raymond James Stadium	1998	65,657	195	12,000	9,500
Tennessee Titans	Nashville, TN	The Coliseum	1999	67,700	176	12,000	7,500
Washington Redskins	Landover, MD	FedEx Field	1997	85,407	280	15,735	22,000

(1) First year reflects original construction. Second year, if applicable, reflects most recent major renovation.

(2) New facility approved or under construction.

III. Limited Market Analysis

Historical Utilization

- Qualcomm Stadium hosts a variety of events including Chargers, Padres, SDSU football, Holiday Bowl, Gold Coast Classic, concerts, thrill/dirt shows, and other special events.

Year	1999	2000	2001	2002
Padres	81	81	81	81
Chargers	10	10	10	10
Aztecs	5	5	6	5
Soccer	4	5	1	1
Thrill/Dirt	3	2	2	2
Holiday Bowl	1	1	1	1
Gold Coast Classic	1	1	1	1
High School Events	2	1	1	1
Concerts	0	0	0	1
Total Events	107	106	103	103

Note: Limited data available. Does not include religious events or parking lot events.

Source: Qualcomm Stadium.

III. Limited Market Analysis

Historical Utilization (Continued)

- Attendance figures represent drop count (or turnstile) as reported by Qualcomm Stadium.

Year	Chargers	Aztects	Padres - (1)	Special Events - (2)	Total
2001	573,699	106,620	2,166,465	323,595	3,170,379
2000	514,124	111,564	2,176,821	329,038	3,131,547
1999	587,950	141,138	2,395,463	454,461	3,579,012
1998	583,868	146,878	2,735,963	439,566	3,906,275
1997	584,895	125,109	2,006,275	267,782	2,984,061
1996	509,797	163,411	2,165,190	514,862	3,353,260
1995	620,665	205,186	1,053,738	795,824	2,675,413
1994	569,730	158,294	859,566	597,987	2,185,577
1993	573,669	264,597	1,342,614	493,435	2,674,315
1992	457,626	225,179	1,938,937	525,328	3,147,070
1991	475,480	232,820	2,034,201	252,840	2,995,341
1990	482,978	132,356	2,086,812	280,772	2,982,918
1989	<u>456,919</u>	<u>136,126</u>	<u>2,250,445</u>	<u>312,917</u>	<u>3,156,407</u>
Total	6,991,400	2,149,278	25,212,490	5,588,407	39,941,575
Average	537,800	165,329	1,939,422	429,877	3,072,429

(1) - Padres 1998 attendance includes 430,279 post-season and paid turnstile only. Padres 1994 season interrupted by MLB work-stoppage.

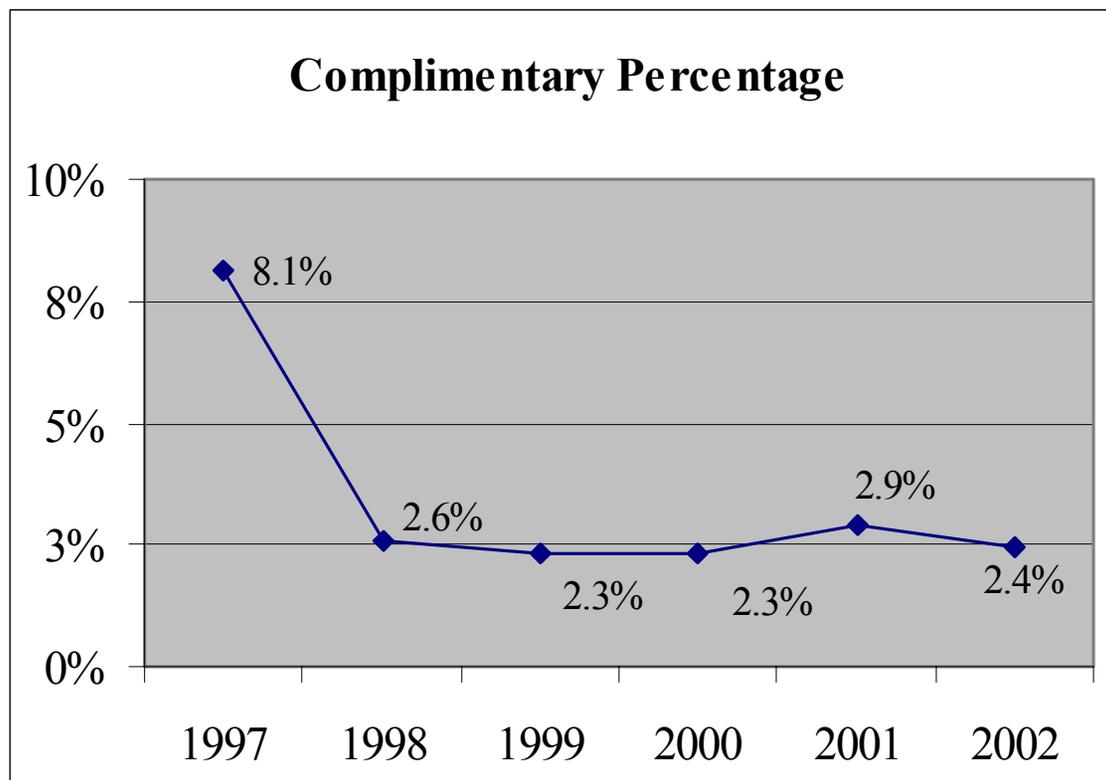
(2) - Special Events 1995 includes 63,381 and 61,182 for Chargers playoff games, as well as 68,000 Chargers Welcome Home Party. Special Events 1993 includes 59,268 for Chargers playoff game.

Source: Qualcomm Stadium.

III. Limited Market Analysis

Historical Utilization (Continued)

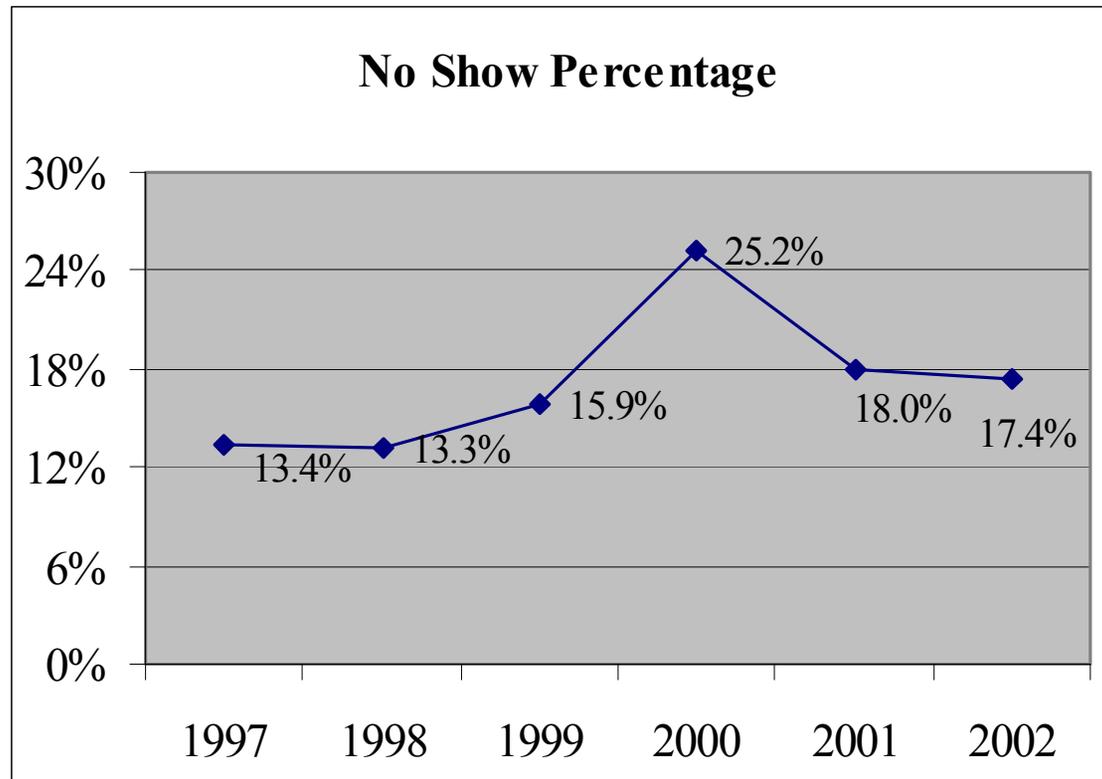
- The complimentary percentage of tickets has decreased considerably since the 1997 season, and has remained relatively constant since 1998.



III. Limited Market Analysis

Historical Utilization (Continued)

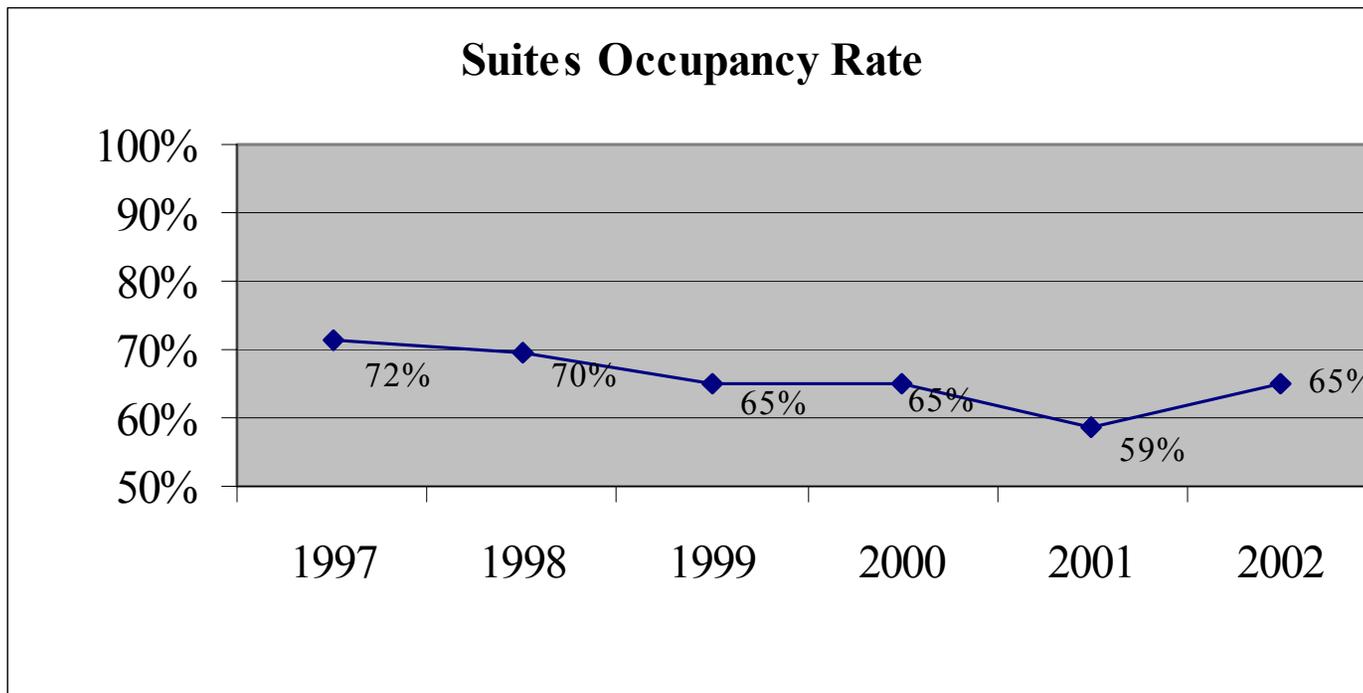
- The percentage of no-shows at Chargers games has fluctuated in recent years, but has increased since 1997 overall.



III. Limited Market Analysis

Luxury Suites Occupancy Rate

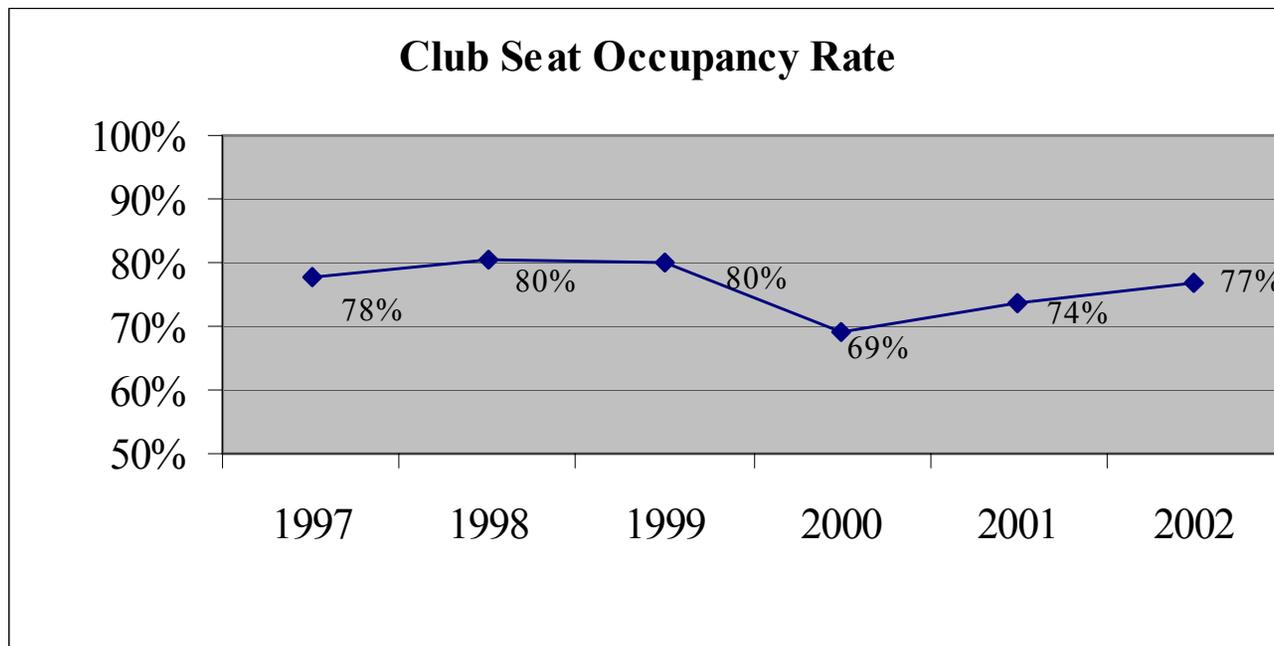
- Luxury suite occupancy rates have declined by 7% since 1997.



III. Limited Market Analysis

Club Seat Occupancy Rate

- The club seat occupancy rate has improved by 8% since 2000.



III. Limited Market Analysis

Preliminary Facility Recommendations

- The preliminary facility recommendations, should the City elect to proceed, are based on the assumption that the current sentiment surrounding the controversial City – Chargers ticket plan would improve with a new deal structure that did not include such a plan.

Stadium Characteristics	
Capacity	65,000 - 68,000
Luxury Suites	100
Party Suites	4
Club Seats	7,000 - 7,500
Parking	To Be Determined
Event Mix	
Number of Events	
Chargers	10
SDSU	6
Holiday Bowl	1
Thrill/Dirt	2
Concerts	1
Soccer	2
Miscellaneous	6
Total Events	28

Attendance	
Average Per Event Paid Attendance	
Chargers (Regular Season)	58,400
SDSU	26,000
Holiday Bowl	58,200
Thrill/Dirt	54,400
Concerts	42,400
Soccer	30,300
Miscellaneous	27,500
Total Annual Turnstile Attendance	1,200,000
Premium Seating	
Total Luxury Suite Inventory	100
Luxury Suites Not Available For Lease	5
Luxury Suites Available For Lease	95
Luxury Suites Leased	86
Average Gross Luxury Suite Price	\$90,000
Total Club Seat Inventory	7,000 - 7,500
Club Seats Leased	6,750
Average Gross Club Seat Price	\$1,750

IV. Limited Financial Analysis

- BSG completed a limited financial analysis to understand the potential net increment revenues to be generated by the proposed facility.

- BSG considered the following factors in developing operating assumptions:
 - Historical Operating Performance of Qualcomm Stadium

 - Operating Characteristics of Comparable Facilities

 - Local Market Area Conditions

 - Entertainment Alternatives

 - Others

IV. Limited Financial Analysis

Qualcomm Stadium Historical Operating Overview

Fiscal Year	1999	2000	2001	2002
Revenues				
Chargers	\$5,513,045	\$5,770,307	\$6,251,381	\$6,251,972
Padres	\$4,328,655	\$4,388,347	\$3,511,194	\$4,985,691
Aztecs	\$268,202	\$219,271	\$213,108	\$243,668
Special Events	\$2,333,511	\$2,302,897	\$2,196,133	\$2,290,816
Interest	<u>\$67,865</u>	<u>\$71,994</u>	<u>\$144,697</u>	<u>\$81,112</u>
Total Revenues	\$12,511,278	\$12,752,816	\$12,316,513	\$13,853,259
Expenses				
Operating Expenses - (1)	\$11,330,218	\$10,463,494	\$9,873,676	\$11,761,060
Total Capital Improvements Program	<u>\$0</u>	<u>\$386,429</u>	<u>\$625,363</u>	<u>\$251,722</u>
Total Expenses and Capital Improvements	\$11,330,218	\$10,849,923	\$10,499,039	\$12,012,782
Net Operating Surplus/(Deficit)	\$1,181,060	\$1,902,893	\$1,817,474	\$1,840,477
Adjustments				
Less: Chargers Rent Rebate Ticket Guarantee	(\$3,868,370)	(\$6,148,762)	(\$7,968,743)	(\$5,987,363)
Less: Debt Service	(\$5,570,158)	(\$5,357,519)	(\$4,966,527)	(\$5,344,243)
Add: Midway Sports Arena Lease - (2)	\$2,073,437	\$2,287,930	\$2,495,910	\$2,618,948
Add: Other Revenue	<u>\$7,800,000</u>	<u>\$1,231,500</u>	<u>\$9,023,780</u>	<u>\$7,461,981</u>
Adjusted Net Operating Surplus/(Deficit) - (3)	\$1,615,969	(\$6,083,958)	\$401,894	\$589,800
Combined Net City Transfer	(\$8,257,468)	(\$9,603,388)	(\$11,117,796)	(\$9,491,129)

(1) - Including miscellaneous rent credits/expenses.

(2) - Does not account for reserves, balances, or continuing appropriations.

(3) - Midway sports arena lease has historically been dedicated to Qualcomm Stadium by City Council action.

IV. Limited Financial Analysis

Operating Revenues

- BSG has made significant assumptions related to the proposed stadium's operating revenues, including:
 - Number and Type of Events
 - Average Attendance
 - Ticket Prices
 - Luxury Suites
 - Club Seats
 - Advertising
 - Naming Rights
 - Concessions
 - Novelties
 - Parking
 - Other

IV. Limited Financial Analysis

Operating Revenues

- BSG has made significant assumptions related to the proposed stadium's operating expenses, including:
 - Staffing
 - Utilities
 - General and Administrative
 - Repairs/Maintenance
 - Supplies and Equipment
 - Insurance
 - Security
 - Miscellaneous Expenses
 - ✓ Concessions
 - ✓ Novelty
 - ✓ Parking
 - ✓ Game Day
 - ✓ Other

IV. Limited Financial Analysis

Summary of Results – Net Increment Prior to Debt Service

Stadium Revenues -(1)	Chargers		Increment
	2002-03	New Stadium	
Gross Ticket Receipts - (2)	\$35,780,000	\$38,410,000	\$2,630,000
Gross Luxury Suite Premium	\$4,560,000	\$6,800,000	\$2,240,000
Gross Club Seat Premium	\$3,650,000	\$6,750,000	\$3,100,000
Advertising	\$3,900,000	\$5,000,000	\$1,100,000
Naming Rights	\$0	\$2,750,000	\$2,750,000
Net Concessions/Novelties	\$2,080,000	\$2,930,000	\$850,000
Net Parking	\$1,380,000	\$410,000	(\$970,000)
Other Events (Net of Expenses)	\$0	\$2,180,000	\$2,180,000
Total Revenues	\$51,350,000	\$65,230,000	\$13,880,000
Stadium Expenses			
Rent - (3)	\$6,930,000	\$0	(\$6,930,000)
Game Day Expenses	\$1,600,000	\$1,750,000	\$150,000
Salaries and Wages	\$0	\$2,750,000	\$2,750,000
Repairs and Maintenance	\$0	\$1,250,000	\$1,250,000
Utilities	\$0	\$1,250,000	\$1,250,000
General and Administrative	\$0	\$500,000	\$500,000
Insurance	\$0	\$1,000,000	\$1,000,000
Supplies and Equipment	\$0	\$400,000	\$400,000
Security	\$0	\$380,000	\$380,000
Capital Reserve	\$0	\$1,500,000	\$1,500,000
Other	\$0	\$500,000	\$500,000
Total Expenses	\$8,530,000	\$11,280,000	\$2,750,000
NET STADIUM INCREMENT PRIOR TO DEBT SERVICE - (4)			\$11,130,000

(1) - Figures prior to visiting team share, existing club seat waiver, and potential G-3 loan arrangements.

(2) - Includes tickets purchased by the City.

(3) - Rent in the proposed new stadium unknown at this time.

(4) - Does not include other non-stadium related incremental revenues to be generated by the franchise.

Note: New stadium figures presented in current dollars based on stabilized operating assumptions.

IV. Limited Financial Analysis

Summary of Results – Net Increment Prior to Debt Service (Less Tickets Purchased by City)

Stadium Revenues -(1)	Chargers		Increment
	2002-03	New Stadium	
Gross Ticket Receipts- (2)	\$35,780,000	\$38,410,000	\$2,630,000
Less: Tickets Purchased By City	(\$6,100,000)	\$0	\$6,100,000
Gross Luxury Suite Premium	\$4,560,000	\$6,800,000	\$2,240,000
Gross Club Seat Premium	\$3,650,000	\$6,750,000	\$3,100,000
Advertising	\$3,900,000	\$5,000,000	\$1,100,000
Naming Rights	\$0	\$2,750,000	\$2,750,000
Net Concessions/Novelties	\$2,080,000	\$2,930,000	\$850,000
Net Parking	\$1,380,000	\$410,000	(\$970,000)
Other Events (Net of Expenses)	\$0	\$2,180,000	\$2,180,000
Total Revenues	\$45,250,000	\$65,230,000	\$19,980,000
Stadium Expenses			
Rent - (3)	\$6,930,000	\$0	(\$6,930,000)
Game Day Expenses	\$1,600,000	\$1,750,000	\$150,000
Salaries and Wages	\$0	\$2,750,000	\$2,750,000
Repairs and Maintenance	\$0	\$1,250,000	\$1,250,000
Utilities	\$0	\$1,250,000	\$1,250,000
General and Administrative	\$0	\$500,000	\$500,000
Insurance	\$0	\$1,000,000	\$1,000,000
Supplies and Equipment	\$0	\$400,000	\$400,000
Security	\$0	\$380,000	\$380,000
Capital Reserve	\$0	\$1,500,000	\$1,500,000
Other	\$0	\$500,000	\$500,000
Total Expenses	\$8,530,000	\$11,280,000	\$2,750,000
NET STADIUM INCREMENT PRIOR TO DEBT SERVICE - (4)			\$17,230,000

(1) - Figures prior to visiting team share, existing club seat waiver, and potential G-3 loan arrangements.

(2) - Includes tickets purchased by the City.

(3) - Rent in the proposed new stadium unknown at this time.

(4) - Does not include other non-stadium related incremental revenues to be generated by the franchise.

Note: New stadium figures presented in current dollars based on stabilized operating assumptions.

IV. Limited Financial Analysis

Other Financial Considerations

- Consideration should be given to other financial impacts associated with the development of a new stadium, including:
 - Qualcomm Stadium Debt Service
 - Concessionaire Termination Payments
 - Naming Rights Agreement

V. Financing Alternatives Overview

General Trends in Stadium Finance and Construction

- The unique background and political environment surrounding the financing and construction of a facility will play a critical role in developing the appropriate financing structure.
 - Funding may be Potentially Difficult Given Political and Economic Challenges
 - Changing Economics of Major League Professional Sports
 - Planning and Construction Takes Time
 - Public Participation
 - Private Participation

V. Financing Alternatives Overview

Sources of Funding

- The sources of funding for public assembly facilities may be defined as one-time or recurring contributions.
 - Public Sector Participation
 - ✓ State and Local Government Participation
 - General Sales and Use Taxes
 - Hotel/Motel Taxes
 - Tourist Development Taxes
 - Restaurant Sales Taxes
 - Excise/Sin Tax (Liquor, Tobacco)
 - Car Rental Tax
 - Utility Taxes
 - Real Estate/Possessory Interest Taxes
 - Admission Taxes
 - Ticket Surcharges
 - Parking Taxes
 - Parking Surcharges
 - Lottery and Gaming Revenues
 - Player Income Taxes
 - Non-Tax Fees (Liquor Sale Permits, etc.)
 - General Appropriations
 - Land Leases
 - Other Public Funds
 - University/Other Facility Users

V. Financing Alternatives Overview

Sources of Funding

- Private Sector Participation
 - ✓ Essential Component of Sports Facilities Financial Structures
 - Equity
 - Premium Seating (Luxury Suites and Club Seats)
 - Advertising
 - Concessions/Novelties
 - Pouring Rights
 - Naming Rights
 - Personal Seat Licenses (PSLs)/Seat Option Bonds (SOBs)
 - G-3 Program

V. Financing Alternatives Overview

Financing Instruments

- The appropriate financial instruments will depend significantly on the unique circumstances surrounding the particular project.
 - General Obligation Bonds
 - Revenue-Backed Obligation
 - Lease Revenue Financing Arrangements
 - Tax Allocation/Tax Increment Financing (TIF) and other Redevelopment Bonds
 - Conduit Revenue Bonds
 - Assessment Bonds
 - Mello Roos Bonds
 - Infrastructure Financing District (IFD)

V. Financing Alternatives Overview

Credit Structure/Debt Security

- The security of the debt will have a significant impact on the interest rates that in turn will impact the level of debt service and the financing available for the project.
- A General Fund Obligation is a "promise" to make-up any deficiencies from other revenue sources and can be used to enhance the credit rating of a financial instrument.
- If tax revenues are pledged to the project, debt coverage requirements have historically ranged from 1.25x to 2.50x depending on the specific tax revenues pledged for the repayment of the bond.
- Private guarantees may also be used to enhance the credit rating of debt issues.
- Financial vehicles have been used to mitigate the risk and potential impact and costs of issuing debt.
 - Credit Enhancement
 - Interest Rate Swap
 - Debt Service Reserve Fund
 - Operating Reserve Fund
 - Capital Replacement Reserve Fund

V. Financing Alternatives Overview

Taxable vs. Tax-Exempt Debt

- A critical factor driving the financing of sports facilities is the tax status of the potential financing arrangements.
- The proceeds generated by leveraging a revenue stream will be affected by the interest on the bonds.
- Tax-exempt debt is an attractive financing vehicle as the typical spread between tax-exempt and taxable debt can range from 150 to 250 basis points.
- It can be difficult, however, to utilize tax-exempt debt for stadium and arena financing given the current tax regulations.

V. Financing Alternatives Overview

NFL Stadium Public Financing Overview

League	Team	Sales Tax	Hotel Tax	Rental Car Tax	Food & Beverage Tax	Entertainment Tax	Sin Tax	Parking Tax	Property Tax	Admission Tax	Lottery Revenues	Sewer & Water Revenues	Gas Tax	General Fund	Income Tax
NFL	Cincinnati Bengals	X												X	
NFL	Denver Broncos	X													
NFL	Cleveland Browns			X			X	X		X					
NFL	Tampa Bay Buccaneers	X													
NFL	Philadelphia Eagles			X						X					
NFL	Atlanta Falcons		X												
NFL	Jacksonville Jaguars	X	X												
NFL	Detroit Lions		X	X										X	
NFL	Green Bay Packers	X													
NFL	St. Louis Rams		X											X	
NFL	Baltimore Ravens										X				
NFL	Seattle Seahawks	X	X	X							X				
NFL	Pittsburgh Steelers	X	X											X	
NFL	Houston Texans		X	X											
NFL	Tennessee Titans											X		X	
NFL	Arizona Cardinals	X	X	X						X					X
NFL	San Diego Chargers							X		X				X	
NFL	Chicago Bears		X											X	X
NFL	Washington Redskins													X	
NFL	Carolina Panthers													X	
NFL	New England Patriots													X	

V. Financing Alternatives Overview

MLB, NBA, and NHL Facility Public Financing Overview

League	Team	Sales Tax	Hotel Tax	Rental Car Tax	Food & Beverage Tax	Entertainment Tax	Sin Tax	Parking Tax	Property Tax	Admission Tax	Lottery Revenues	Sewer & Water Revenues	Gas Tax	General Fund	Income Tax
MLB	Houston Astros		X	X											
MLB	Milwaukee Brewers	X												X	
MLB	Arizona Diamondbacks	X													
MLB	San Francisco Giants								X						
MLB	Cleveland Indians						X								
MLB	Seattle Mariners	X		X	X					X	X				
MLB	Baltimore Orioles										X				
MLB	San Diego Padres		X						X						
MLB	Philadelphia Phillies			X						X				X	
MLB	Pittsburgh Pirates	X	X											X	
MLB	Texas Rangers	X													
MLB	Cincinnati Reds	X												X	
MLB	Colorado Rockies	X													
MLB	Detroit Tigers		X	X										X	
MLB	Chicago White Sox		X											X	
NBA	Cleveland Cavaliers						X								
NBA	Atlanta Hawks			X											
NBA	Miami Heat		X												
NBA	Orlando Magic		X	X								X			
NBA	Dallas Mavericks		X	X											
NBA	Indiana Pacers	X	X	X	X		X			X					
NBA	Houston Rockets		X	X											
NBA	San Antonio Spurs		X	X											
NBA	Phoenix Suns	X													
NBA	Minnesota Timberwolves					X		X	X						
NHL	Phoenix Coyotes	X													
NHL	Carolina Hurricanes		X												
NHL	Tampa Bay Lightning	X	X	X	X			X		X				X	
NHL	Florida Panthers	X	X												
NHL	Nashville Predators													X	
NHL	Buffalo Sabers													X	
NHL	San Jose Sharks													X	
NHL	Dallas Stars		X	X											
NHL	Atlanta Thrashers			X											
NHL	Minnesota Wild	X													

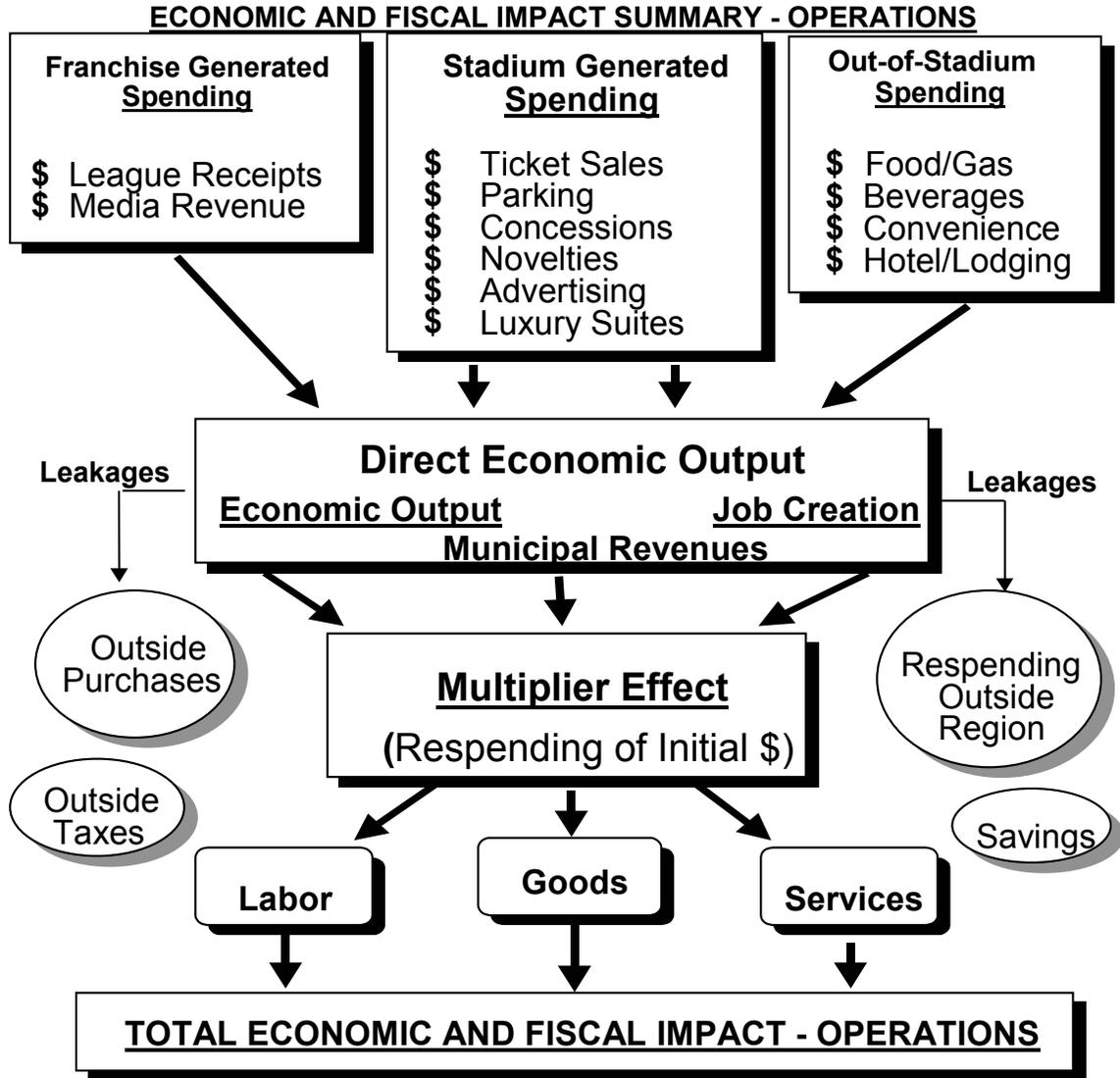
VI. Economic Impact Study

Overview

- BSG performed an economic and fiscal impact analysis related to the operations of the Chargers in the City. The ongoing operations of the Chargers generate annual, recurring economic and fiscal impacts as events are held in the City. This demand results from the following:
 - Franchise/Facility Generated Spending (Tickets, Media, Concessions, Novelties, etc.)
 - Patron Spending (Restaurants, Hotels, Gasoline Stations, Drinking Establishments, etc.)
 - Visiting Team Personnel and Media Event Personnel

VI. Economic Impact Study

Economic and Fiscal Impact Summary – Operations Flow Chart



VI. Economic Impact Study

Methodology

- Multiplier Effect – The turnover of each dollar is projected through the use of an economic multiplier applied to the initial expenditure.
- We have selected the Type SAM multiplier. Type SAM multiplier values are summarized below:

SUMMARY OF RESULTS - NFL FRANCHISE OPERATIONS			
MIG Sector	MIG Sector Description	City Output Type SAM Multiplier	City Employment Type SAM Multiplier
449	General Merchandise Stores	1.46	1.20
450	Food Stores	1.40	1.24
451	Automotive Dealers and Service Stations	1.50	1.47
454	Eating and Drinking Establishments	1.58	1.26
455	Miscellaneous Retail	1.50	1.24
463	Hotel and Lodging Places	1.61	1.45
486	Commercial Sports Except Auto Racing	1.67	2.14

VI. Economic Impact Study

Annual Economic Impact

- A NFL franchise provides a unique opportunity to generate economic activity within a host community.
- Direct initial spending represents the first round of quantifiable spending, including:
 - Franchise Operations
 - Out-of-Stadium Patron Spending
 - Visiting Team and Visiting Media Expenditures
- Economic output represents the direct, indirect, and induced output generated by the initial first round of quantifiable spending.
- FTE employment represents the number of full-time equivalent job opportunities generated by the direct, indirect, and induced effects of spending associated with the ongoing operations.
- Employee compensation represents the wages earned in connection with the total output generated in the economic model.
- Tax and fiscal impacts are generated by the effects of the direct, indirect, and induced spending.

VI. Economic Impact Study

Summary of Results – NFL Franchise Operations

- The ongoing operations of the Chargers produce considerable economic impacts for the City.

SUMMARY OF RESULTS - NFL FRANCHISE OPERATIONS					
	Initial Spending	Adjusted Initial Spending	Total Economic Output	FTE Employment	Employee Compensation
City of San Diego	\$138,247,205	\$89,907,989	\$149,207,781	1,303	\$62,746,914

- This report attempts to take into account the fact that players represent a major portion of an NFL franchise's operating expenses, and some players do not reside locally in the City. As a result, material adjustments were made to initial spending to account for place of residence, taxes, and savings.
- It is important to note that we made necessary adjustments to event patron spending in order to more accurately estimate the economic impact of the Chargers.

VI. Economic Impact Study

Summary of Results – Fiscal Impacts

- Chargers operations generate direct fiscal impacts in the City.

Fiscal Impacts	FY 2002
Chargers Rental Revenue	\$6,251,972
Direct Tax Revenue	\$21,919
Ticket Guarantee	(\$5,987,363)
Net Rent Credits	(\$231,310)
Police/Fire/Traffic Expense	<u>(\$280,000)</u>
Direct Fiscal Impact	(\$224,782)

Note: Revenues and expenses directly attributable to the operations of the Chargers.

VI. Economic Impact Study

Summary of Results – Other Fiscal Impacts

- It is difficult to quantify and appropriately allocate some indirect impacts associated with the Chargers operations.

Other Fiscal Impacts	FY 2002
Operating Expenses - (1)	\$8,599,887
Stadium Debt Service - (1)	\$5,350,769
Tax Impacts - (2)	\$9,541,785

(1) - Operating expenses and debt service payments must be allocated, as appropriate, to users of Qualcomm Stadium.

(2) - Tax impacts represent combined state and local tax impacts.

VI. Economic Impact Study

Other Impacts

- The operations of the Chargers generate other significant impacts for the City that are less explicit and more difficult to quantify.
 - Community Pride and Identity
 - Prestige Associated with Professional Sports Teams
 - National and International Exposure
 - Improved Quality of Life
- Various community service organizations and non-profit organizations have directly benefited from the Chargers involvement in the City, as well as the County.